

**HOUSING AUTHORITY OF THE CITY OF YAKIMA**  
**DBA YAKIMA HOUSING AUTHORITY**  
**Yakima County, Washington**  
**April 1, 1995 Through March 31, 1996**

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**Schedule Of Federal Findings**

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1. Accounting For Fixed Assets And Inventory Should Comply With Federal Requirements

Our review of the housing authority's accounting and physical controls over fixed assets identified the following concerns:

- a. Detail asset records are not adequate to support balances shown in the general ledger accounts and do not consistently indicate the description, identification number, locations of property, acquisition date, source of funding, cost of property, or disposition.
- b. The housing authority did not have an adequate system in place to ensure that supplies and materials purchased under the Comprehensive Improvement Assistance Program (CIAP) modernization program were actually used for the authorized projects.
- c. We noted instances where replacement equipment, such as ranges, were capitalized without removing the cost of the original equipment from the accounting records. We also noted instances where replacement equipment was disposed of without official board approval.
- d. The housing authority has not performed a physical inventory since 1989.
- e. There exists a lack of segregation of duties in the authorization, ordering, receiving, and disposing of assets.

"Common Rule" Subpart C, Subsection \_\_ .32 (d)(1) states:

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

The *Low-Rent Housing Accounting Handbook* 7510.1, Chapter 7, requires that an annual inventory of expendable and nonexpendable equipment be conducted.

Yakima Housing Authority Resolution 92-300 states in part:

Personal property shall not be destroyed, abandoned, or donated without the prior approval of the board.

According to management, these conditions exist because the housing authority has experienced a change in management and there has been insufficient time to implement the needed changes in the accounting and internal control systems for general fixed asset accounting and inventory control.

These weaknesses could allow irregularities and errors to occur and not be discovered in a timely fashion during the normal course of business. In addition, we are unable to verify the accuracy of fixed assets as presented in the financial statements.

We recommend that management establish an adequate fixed asset and inventory accounting systems, adequate segregation of duties, and conduct an annual inventory of assets in compliance with federal regulations. We also recommend disposition of assets be pre-approved by the board of commissioners.

2. Yakima Housing Authority Should Comply With The Terms Of The Youthbuild Grant Agreement

During fiscal years 1995 and 1996, the authority expended \$825,203 under Youthbuild grant No. Y-93-IS-WA-0682 (CFDA 14.243). The purpose of the grant was to provide job training to disadvantaged youths through the construction of four duplexes, consisting of two units per duplex.

Of the eight total units, the authority sold one unit to a party whose income exceeded limits specified in the federal grant agreement.

The Youthbuild Grant Agreement states in part:

All housing produced must be provided for homeless, low-income, or very-low income families.

At the time of the sale, housing authority personnel believed it was acceptable to sell the additional units created to first time home owners that exceeded the 80 percent of federal median income guidelines.

Given the grant-funded expenditures were not tracked on a per unit basis, we were unable to identify which portion of the grant was spent for the unit in question. However, the U.S. Department of Housing and Urban Development (HUD) informed us they were in the process of determining a settlement amount with the Yakima Housing Authority.

We recommend the Yakima Housing Authority reimburse the U.S. Department of HUD for the proportionate share of the Youthbuild grant expended on the unit sold.